

# ***Glacier Bay Compensation Plan Conference Calls***

## **Meeting Summary Final**

May 4, 2000  
3:00-5:00 PM

### **Introductions**

The call convened on time and included participants from nine conference call sites and two individuals. ). All participants introduced themselves and their affiliation. (Please see attached agenda and list of conference call participants.

Abby Arnold, RESOLVE-facilitator asked that all on the call provide contact information to each site leader so that all parties on the calls are sent advance information and the meeting summaries from each call. Ms. Arnold then reviewed the purpose of the call:

- Continue discussion on the technical questions associated with the Economic Assessment.
- A party from Gustavus asked that an additional question be added to the agenda: Status of information collected by the National Park Service related to Beardsley Island Tanner Crab catch.
- No other items were raised at the time.

### **Technical Questions/Discussion**

1. What are approaches for addressing declining capital value for processors, and others, such as Tanner Crab permit holders?

Jim Calvin, McDowell Group, provided a brief background on the challenges associated with addressing declining capital value. Tanner crab is a good example of the issues raised with assessing declines in capital value. Catch of Tanner crab from Glacier Bay is approximately 10% of the total take of Tanner in the region. Tanner is a “price taker”, therefore with the closure of the Glacier Bay Tanner fishery we can assume 10% less revenue from Tanner in the region. This reduction translates to reduced profit. (The question is what assumptions should be made about the regional fishery’s ability to expand or relocate fishing effort, and what percent of the losses of revenue from Glacier Bay can be offset by this shifting of effort?” Ultimately if there is a reduction in revenue region wide, the value of permits, vessels, gear, and processor capital investment could be affected. Calvin ended by asking if parties had suggestions for how to calculate what proportion of the capital investment in fishing boats and equipment and processing facilities was related to the closed Glacier Bay fishery.

A number of parties suggested that the IFQ’s offer a way to measure direct loss from closing Glacier Bay. In response, Calvin agreed, however he again reiterated that the

goal of the Economic Assessment is to establish the profit loss that is directly attributable to Glacier Bay. There are two dimensions to this question, the lost profit due to the closure and the subsequent decline in investment value.

Later in the call one call participant advocated a “prudent man” approach to the valuation of permits or assets. The prudent man approach is that an investor will not sell his/her assets in a valley when prices are low, but will sell when they are high. The prudent man approach has been tested by the IRS and by the court system and has been used in determining Net Operating Losses for Alaskan Native Corporations. This party suggested that since permit purchases, plant construction and equipment and municipal government plans are all long term strategies and investments, it makes perfect sense to use this approach in order not to penalize any party (and keep the valuation process out of potential litigation).

During this discussion individuals made the following points on similar or other issues:

- Fishermen are the most directly affected by the closures and should be compensated for this loss in larger proportion than other parties listed in the legislation;
- A community leader responded that communities needed to be given consideration since fishermen who once spent their dollars in the community may not in the future.
- Fishermen and other businesses need to know when the compensation checks will be available. In order to adjust for the loss in the Tanner Crab fishery, for example, fishermen need to know when to expect the funds in order to plan for reinvestment in other fisheries.
- In the Halibut fishery, there will be outward migration of fishing, and local area management plans will become an issue in response to increased pressure from displaced fishermen.

In response to questions raised during the discussion the following comments were directed to why the Economic Assessment was commissioned, what it includes, and how it will be used:

- The Economic Assessment was commissioned to provide as objective a study as is possible to assess what the full economic impact resulting from the Closure of Glacier Bay is on fishermen, crew, processors, processor employees, service businesses, communities and others. The \$23 million figure appropriated by Congress was an estimate developed in three days by an ADF&G economist. The Economic Assessment is a rigorous, objective study, benefiting from available data and public input. The Economic Assessment study will not be limited to the \$23 million figure estimated by ADF&G. The Economic Assessment will be used as the foundation for the Compensation Program plan.
- The Economic Assessment will use the market value of permits, the assessment currently uses the CFEC assessment of value. Anyone with information about value of permits is requested to notify McDowell Group where good information on market value can be found.

- It is very difficult to separate the value of IFQ's from the value of loss of profit from Glacier Bay and then extend that loss in value to communities and other affected parties. The methodology used in the Economic Assessment is to assign value based on historical earnings. The Compensation Plan and ultimately the award process itself will specify individual losses.
  - An individual may be eligible for compensation from one or more fisheries, an individual would not be limited to compensation for loss in one fishery if they participated in more than one fishery in Glacier Bay.
2. How can we, or can we address loss of lifestyle values in the Economic Assessment?

Jim McDowell suggested that there might be "soft" approaches to valuing the impact of the closure on lifestyle, however, in his opinion there is not a good objective way to translate estimates of this loss to a dollar value.

One party suggested, in response, that the way to assess value of the loss in lifestyle would be for the state of Alaska to try and buy back Glacier Bay, and the market price received would be a true reflection of the actual value of loss of Glacier Bay to the way of life in Southeast. This value would far exceed \$23 million and would be a better reflection of actual value

3. Availability of National Park Service Data on Beardsley Island Tanner (Snow) crab. (opilio is species name for the type of Tanner crab mostly found in the Bering Sea.

A party on the call asked whether the NPS had shared the information they have on the catch of the opilio, and if not, why not. The party further suggested that if the NPS had not turned over the information, it was an example of poor judgement and why there is mistrust of the NPS. In response, the NPS staff suggested that they were unaware that this information was not yet in Calvin's hands. That they would do what was necessary to be in touch with the NPS staff in charge of this informal survey effort and get whatever information was available to the McDowell Group as soon as possible. Further, this was an example of why these calls are so important and why input from the affected parties is so important to make certain the plan is based on the best information available, decisions are made as openly and straightforwardly as possible in the course of developing the compensation plan.<sup>1</sup>

#### ***Other Comments and Concerns***

- One party, reiterated a) his concern that the overall timeframe for development of the compensation plan be compressed in order to get checks in the mail sooner than early 2001, b) that the NPS and State and consultants do whatever they can to expedite the process, and c) that having the conference calls during the day

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<sup>1</sup> In an e-mail exchange after the call, the following suggestion was made regarding what information would be useful to the McDowell group to determine value lost from Glacier Bay. A breakdown of the percentage of the total effort in Glacier Bay which was in: 1. the Beardslee Islands; 2. Hugh Miller Inlet; 3. Bartlett Cove area; and 4, other areas of Glacier Bay which may have significant effort. With this data an assessment of the effect of the closures of wilderness waters can be developed (The Beardslees, Hugh Miller Inlet and Geike Inlet).

prevented parties who might be interested in participating in the calls, especially crew members.

- Others on the call suggested that they were also concerned with the timeframe, however they did not want decisions made during the summer. That July, August and most of September, in particular were not good times to obtain formal public involvement. That they would be able to review documents during the fishing season, however in order to have full involvement, decisions should be made after the fishing season. These parties agreed with waiting to conduct public meetings until the Fall after fishing season. Another party suggested they fished all year round and these kinds of activities always interfered with other activities.
- Another party suggested that there had not been enough information provided to the public on what funds have been allocated, who has been compensated what, and what the administrative costs of the program are. The newsletter needed to include this kind of information in order to be seen as a credible source of information.

In response to these comments NPS and ADF&G staff acknowledged the interest in expediting the process, but pointed out the balance involved in making decisions but in a way that allowed full public involvement. They agreed that extending the calls was a good idea if all parties agreed. The NPS also agreed that with approval of their solicitor's office they would provide more information on expenditure of funds to date.

#### ***Next Steps and Cancellation of May 11, 2000 Call***

Before the working draft Economic Assessment is released (May 17), there was not enough business to be conducted for to warrant a call May 11, so the May 11 call was cancelled. The May 18 call will proceed as scheduled. In preparation for this call, conference call leaders will receive draft copies of the Economic Assessment on or before May 18. The purpose of the May 18 call will be to walk through the Economic Assessment, identify questions and concerns and to the extent that there is time, discuss the concerns. The May 25 and June 1 calls will also be dedicated to the Economic Assessment and issues it raises for the Compensation Plan itself.

A. Arnold will try to come up with examples of lessons learned from other compensation programs.

Ms. Arnold, again remind Call Leaders to please get participants on the calls to fill out the sign-in forms and that Call Leaders fax the forms to Dick HofMann (at 907-465-2332) as soon as possible.

The draft agenda for the May 18 call and this draft summary will be e-mailed to all leaders by the middle of next week.

The session adjourned at 4:50 PM.

## Attachment A

# Glacier Bay Compensation Plan Conference Call 2

### *Draft Agenda*

Thursday, May 4, 2000  
3:00-5:00 p.m.

### **Objectives of Call:**

- 1) to orient participants to conference call process;
- 2) to identify and continue discussion of selected technical issues raised in developing the Economic Assessment;
- 3) to provide an opportunity for interested parties to highlight issues and concerns regarding the Economic Assessment; and
- 4) To review schedule for Economic Assessment and development of Compensation Plan and agree on schedule of future conference calls.

**3:00 – 3:10**     **Welcome and Introductions**  
*Abby Arnold & Lee Langstaff, Facilitators*

**3:10 – 3:15**     **Review Agenda**  
*Abby Arnold*

**3:15 – 4:30**     **Economic Assessment**, *continued*  
*(Or as needed) Jim Calvin, McDowell Group*

Discuss:

- Selected Technical Challenges Raised in Economic Assessment:
  4. How address declining capital value for processors, and others, such as Tanner Crab permit holders
  5. How can we, or can we address loss of lifestyle values in the economic assessment?
  6. Others raised by call participants

**4:30 – 5:00**     **Review of Future Conference Call Schedule and Compensation Plan Schedule** - *Abby Arnold*

- Conference call schedule (May 11,14,18,25, June 1)
- Overview of schedule envisioned for compensation plan

**5:00**             **ADJOURN**

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